

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1D Contracts (MC2012-6)
Negotiated Service Agreement

Docket Nos. CP2017-40

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF
THE UNITED STATES POSTAL SERVICE TO ADD A FUNCTIONALLY EQUIVALENT
GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENTS

(November 23, 2016)

INTRODUCTION

The Public Representative hereby provides comments pursuant to a Commission Notice initiating this docket.¹ In this notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's intent on entering into an additional Global Plus 1D contract on the grounds of functional equivalence to a previously approved baseline agreement.²

In Order No. 3395, the Commission authorized the addition of the Global Plus 1D product to the competitive product list.³ The Global Plus 1D contract described in this docket is intended to become effective on December 1, 2016. *Notice* at 3. The contract is expected to remain in effect for one year after its effective date. *Id.*

COMMENTS

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, November 16, 2016.

² Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1D Negotiated Service Agreement and Application for Non-Public Treatment of materials Filed Under Seal, November 15, 2016 (Notice).

³ See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket No. CP2016-193, June 29, 2016.

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that the instant Agreement and previous agreements are functionally equivalent because they share similar cost and market characteristics.

Notice at 4. The financial models accompanying the Postal Service's Request indicates that the Postal Service covers its cost and this cost coverage is similar to previous contracts deemed functionally equivalent by the Commission in previous cases.

Functional Equivalence. In its Notice, the Postal Service explains that the instant Global Plus 1D contract is "very similar" to the contract in Docket No. CP2016-193. The Postal Service states that this Global Plus 1D contracts "fits within the parameters outlined by the Governors' Decisions establishing and authorizing the rates for Global Plus 1D agreements." *Notice* at 5. The Postal Service also addresses differences between this contract and the contracts that are subject of Docket No. CP2016-193. *Id.* The differences include the customer, revisions to paragraph 1 of Article 7, and revised annexes 1 and 2. *Id.* The Postal Service does not consider these "specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract." *Id.* The Public Representative agrees that these differences do not alter functional equivalence.

CONCLUSION

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification (Attachment 3), and the contracts. In addition, the financial models filed separately under seal were reviewed. Based upon that review, the Public Representative concludes that the Global Plus 1D contract is functionally equivalent to the contract filed in Docket No. CP2016-193.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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